

Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 IO-14 OMB-01 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

SS-20 USIA-15 EUR-25 NEA-14 AID-20 TRSE-00 ABF-01

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P 301119Z MAY 74

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC PRIORITY 5265

C O N F I D E N T I A L SAIGON 7106

EO 11652: GDS

TAGS: MARR, VS, AFIN

SUBJECT: ICCS FINANCING: CONTRACTOR DEBTS

REF: A. SAIGON 6962

B. SAIGON 6778

1. FEC OFFICIALS INFORMED EMBOFF MAY 29 THEY ARE SEEKING GRACEFUL WAY OF TERMINATING COMMUNICATION SUPPORT CONTRACT WITH ICCS. THEY HAVE REQUESTED (WITH CONCURRENCE NEW YORK OFFICE) APPOINTMENT MAY 30 WITH ACTING DIRECTOR GENERAL COL. HADI TO SUGGEST THAT ICCS ITSELF TAKE OVER MANAGEMENT COMMUNICATION NETWORK. FEC PREPARED TO TURN OVER EQUIPMENT IN ALL FIELD SITES AND WILL TIME TERMINATION OF CONTRACTS OF EMPLOYMENT OF VIETNAMESE AND APPROXIMATELY 17 AMERICAN NATIONALS FOR ORDERLY TRANSFER. FEC BELIEVES CURRENT INDODEL COLONEL IN CHARGE OF COMMUNICATION FOR SECRETARIAT FULLY COMPETENT TO MANAGE COMMUNICATION NETWORK. THEY WILL POINT OUT FEC BILL FOR COMMUNICATION SERVICES WILL DROP TO BETWEEN \$50,000-\$60,000 A MONTH (ALMOST ENTIRELY LOCAL SALARIES) COMPARED WITH PRESENT BILLINGS OF APPROXIMATELY \$80,000.

2. EMBOFF INQUIRED WHAT FEC WOULD DO IF ICCS DECLINES TO TAKE ON MANAGEMENT SERVICES, WHICH UP TO NOW HAVE BEEN HANDLED FOR THEM BY CONTRACTOR. THEY RESPONDED THEY WILL TERMINATE THEIR
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COMMUNICATION CONTRACT WITH ICCS AS OF JUNE 30, AND IF ICCS DOES

NOT TAKE ON OPERATING RESPONSIBILITIES ITSELF, ICCS WOULD HAVE OPTION OF SEEKING ANOTHER CONTRACTOR OR PERHAPS ASKING PA-E TO ASSUME THIS FUNCTION.

3. PRIMARY FEC CONCERN IS PAYMENT OF THEIR BILLS, WHICH BY END OF JUNE THEY ESTIMATE WILL AMOUNT TO \$230,000 TAKING INTO ACCOUNT CURRENT ANTICIPATED REPAYMENT OF \$46,000 INVOICE. AT SAME TIME, FEC WILLING TO SPEND EFFORT AND TIME IN HELPING OUT ICCS DURING TRANSITION EITHER TO NEW CONTRACTOR OR TO ICCS MANAGEMENT.

4. BEGIN COMMENT: FEC COMMUNICATIONS SET-UP USES EXCLUSIVELY EQUIPMENT PROVIDED ICCS IN INITIAL SET-UP MONTHS BY USG, INCLUDING SOME SURPLUS MARS EQUIPMENT. PA&E CURRENTLY OPERATES A SIMILAR NETWORK TO ITS SITES WHICH MOSTLY PARALLELS FEC NET. THEREFORE, PULL-OUT OF FEC DOES NOT NECESSARILY MEAN ICCS WILL BE WITHOUT EFFECTIVE COMMUNICATIONS LINKS TO REGIONAL AND SUB-REGIONAL SITES, ALTHOUGH THERE IS A POSSIBILITY COMMUNIST DELEGATIONS MAY CHOOSE TO PLAY IT IN THIS LIGHT IN ORDER TO PULL TEAMS OUT OF ADDITIONAL SITES.

5. IN RELATED DEVELOPMENT, PA&E HAD LONG MEETING WITH COL. HADI MAY 29 AS FOLLOW-UP TO LETTER REF A. SINCE ICCS HAD NOT BEEN ABLE TO INCREASE SIZE OF PA&E REIMBURSEMENT, PA&E TOLD HADI THEY ARE IMMEDIATELY IMPLEMENTING 50 PERCENT REDUCTION IN PROCUREMENT (PRIMARILY GASOLINE) FOR ICCS AND 15 PERCENT REDUCTION IN EMPLOYMENT. WHILE LATTER REDUCTION WILL HAVE AN EFFECT ON ICCS BILLINGS ONLY AFTER TWO WEEK OBLIGATORY NOTICE PERIOD, STARTING WITH MIDDLE OF JUNE AVERAGE ICCS PAYMENTS TO PA&E ON MONTHLY BASIS WILL FALL TO APPROXIMATELY \$225,000 PER MONTH.

6. PA&E AND COL. HADI APPEARED TO REACH AGREEMENT ON PLAN FOR IMMEDIATE REDUCTION IN USE OF ICCS VEHICLES. THIS SCHEME WILL CUT DOWN NUMBER OF VEHICLES KEPT FUELED IN HEADQUARTERS, REGIONAL AND SUB-REGIONAL SITES. PA&E IS QUITE AWARE THAT THESE CUTS WILL BE EXTREMELY UNPOPULAR WITH INDIVIDUALS OF ALL DELEGATIONS, BUT AT THE SAME TIME THEY ARE TRYING TO PROVIDE MINIMAL SUPPORT FOR ESSENTIAL TRANSPORTATION. THUS, EACH SUB-REGIONAL SITE WILL HAVE ONE VEHICLE IN OPERATION, EACH REGIONAL SITE WILL HAVE TWO, AND VEHICLE USE IN SAIGON WILL BE SEVERELY CUT. BEGIN COMMENT: USE OF VEHICLES WILL UNDOUBTEDLY AFFECT ABILITY OF INDODEL AND

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IRDEL TO CARRY OUT OBSERVATIONS, PARTICULARLY WHEN HUNGDEL AND POLDEL ARE REGIONAL AND SUB-REGIONAL CHAIRMAN. END COMMENT.
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